

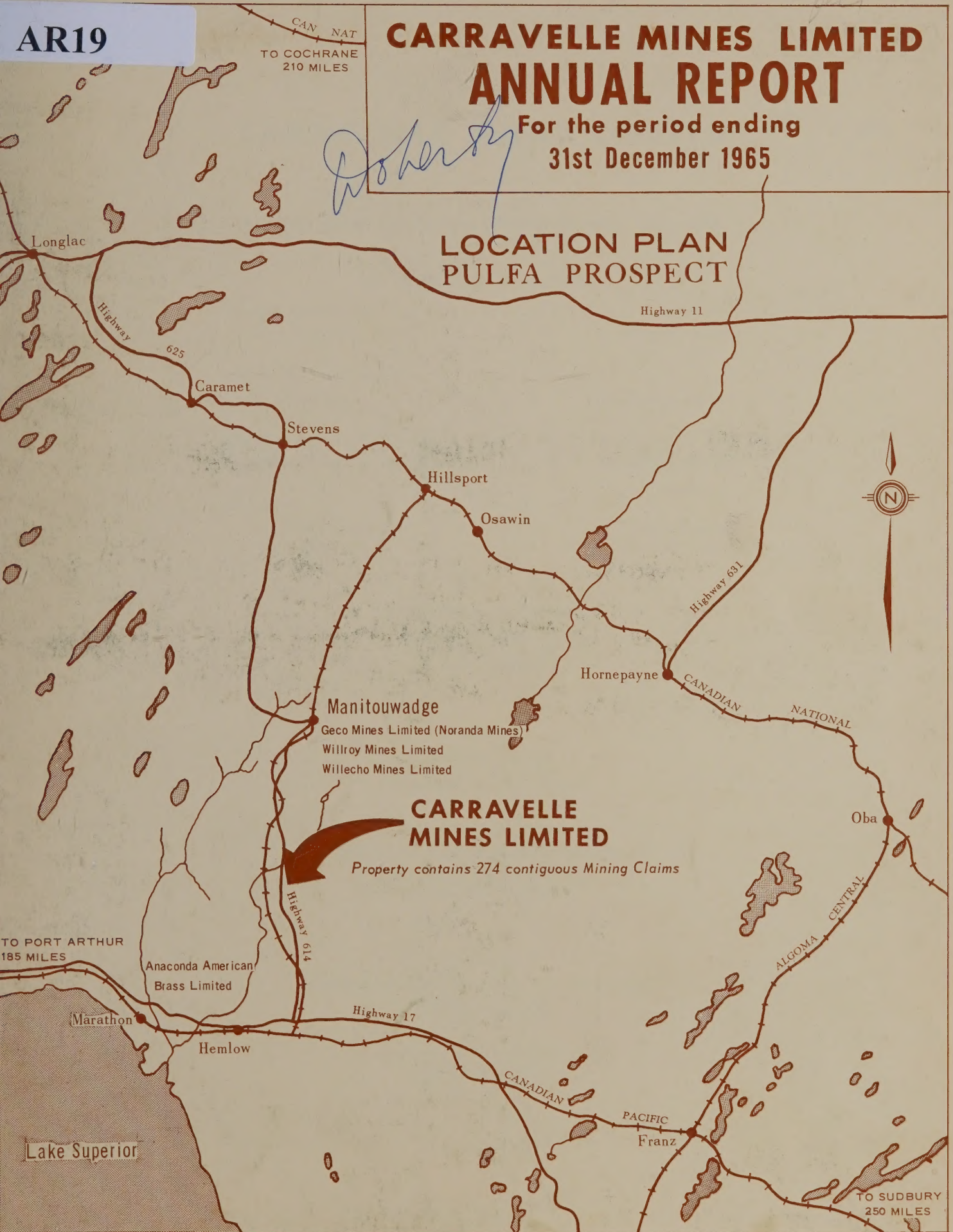
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CARRAVELLE MINES LIMITED ANNUAL REPORT

For the period ending
31st December 1965

Boherky

LOCATION PLAN PULFA PROSPECT



CARRAVELLE MINES LIMITED

APR 19 1966

Financial Report for the Period Ended December 31st, 1965

OFFICERS and DIRECTORS:

President and Director:

C. J. MADEJ, B.Com. - - - - - Islington, Ontario

Vice-President and Director:

J. A. STORR - - - - - Beaconsfield, Quebec

Secretary-Treasurer and Director:

JOHN WILSON, B.Com. - - - - - Scarborough, Ontario

Director:

W. DOMZALSKI, Ph.D. - - - - - London, England

G. J. LEE - - - - - Toronto, Ontario

Exploration Advisor:

DR. W. DOMZALSKI

Consulting Geophysicist
London, England

Auditor:

R. WILSON LINTON

Chartered Accountant
188 University Avenue, Toronto

Registrar and Transfer Agents:

CROWN TRUST COMPANY

302 Bay Street, Toronto

Bankers:

CANADIAN IMPERIAL BANK OF COMMERCE

25 King Street West
Toronto 1, Ontario

BANK OF MONTREAL

King and Bay Streets
Toronto 1, Ontario

CARRAVELLE MINES LIMITED

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

We take pleasure in submitting, herewith, the Annual Report, the Financial Statements and the Auditors' Report for the year ended 31st December, 1965.

The past twelve months were the most active and interesting in the short history of the Company's efforts to find an economical mineral deposit. The search was based on the belief that the ore control is structural and stratigraphic, and our exploration effort was mainly aimed at the elucidation of these controls, in certain selected areas of the Province of Ontario.

SELECTION OF THE AREA:

During the course of the search for a suitable property, a great interest was aroused in the interpretation of the aeromagnetic maps covering the area of the known mining camp of Manitouwadge and the adjoining area to the south. An outstanding magnetic feature was observed on the aeromagnetic map 2168G centered on Dead Otter Lake and extending to the Black River in the west and White Lake to the east. The examination of the aeromagnetic anomaly led to the conclusion that the horseshoe-shaped feature reflected a structural condition of considerable interest.

The shape of the anomaly was compatible with the conception of a fold, and there was little doubt in the mind of the Company's consulting geophysicist, Dr. W. Domzalski of London, England, that the anomaly reflected a folded structure within "Keewatin" rocks, with higher intensity anomalies due to their more basic members and, possibly, to iron formation. It was thought that another reason for certain portions of the magnetic feature might be sought in the presence of ultra-basic rocks, like peridotite or pyroxenite — an assumption subsequently found to be correct.

The low magnetic intensity area in the middle, and around Dead Otter Lake area, was interpreted as an acid igneous intrusion. This proved to be true. In the western portion of the magnetic feature, some faults were postulated on the basis of magnetic

trends, as well as abrupt changes in the strike direction. An examination of the then-available geological map of the area (of a very general nature) supplied some additional evidence, which, coupled with the result of the interpretation of the aeromagnetic map, made the area very attractive and revealed the feature as a possible plunging anticlinal fold.

Another decisive factor in designating the area as of potential value for further exploration was its proximity to the economic mineral deposits at Manitouwadge Mining Camp, located only 18 miles to the north. The general structure, revealed by the interpretation of the aeromagnetic map, was almost identical with that of Manitouwadge. Subsequent examination of the area, in the field, confirmed our consultant's belief that, the lithological types and the stratigraphic sequence are very similar to those serving as hosts to the economic deposits of Manitouwadge, and that the area is definitely in the same metallogenic province.

ACQUISITION OF PROPERTIES AND THEIR DEVELOPMENT:

Once the potential value of the area for further exploration for mineral deposits was established, efforts were made to secure claims, through a series of agreements, with prospectors, and companies holding claims in the area. As a result of these agreements, a sizeable property was assembled, comprising one hundred and thirty-four contiguous mining claims, under the name of "The Pulfa Prospect". The details regarding the various agreements were disclosed in the Company's Prospectus, dated 26th March, 1965, copies of which are still available on request. Although the Company's treasury shares are no longer in primary distribution, the Prospectus may prove to be a good source for further information on the history of the development of the Pulfa Prospect.

Among the various groups of claims acquired was one which, in 1962, was optioned and investigated by McIntyre Porcupine Mines Limited. Out of the fifty-two claims then optioned to McIntyre Porcupine Mines, forty-four claims are now owned by your Company, and they cover most of the known

mineral showings in the area. The investigation, which was obviously prompted by the existence of these showings, was mainly concentrated around them, and consisted of reconnaissance geological mapping, ground electromagnetic and magnetic surveys, and a fair amount of diamond drilling around locations of showings. As the aeromagnetic map covering this area was not published until about six months after this investigation was ended, the outstanding structural features could not have been taken into account in planning the above programme of exploration. Nevertheless, the results of that investigation were very useful to our consultants in the process of building an overall structural and lithological picture, as well as, for planning further detailed work.

The publication, early last summer, of the preliminary geological map No. P 294, now re-issued as P 334, "Black River Area" by the Ontario Department of Mines, confirmed the results of the interpretation of the aeromagnetic map, and the previously available data. Consequently, during the summer of last year, further staking of mining claims was carried out, thereby securing 140 additional, well-located mining claims, on what is now considered to be an east-north-east trending anticline, centered on Dead Otter Lake, and a parallel syncline lying on the north side of Dotted Lake. Thus, in a short period of time, a large mining property was accumulated, comprised of 274 mining claims contiguous to each other, and forming one block of land, centered on Ontario Highway #614, and extending to Theresa Lake in the east, and the banks of Black River in the west.

This block of claims covers most of the favourable geology, where the biotite-quartz-feldspar paragneisses are similar, in appearance and composition, to the metasedimentary gneisses of the Manitouwadge area. The interesting feature, economically, within the block of claims, is a band of predominantly pyroclastic material, associated with some siliceous metasedimentary and intermediate to acid-flow rocks. The iron formation, although relatively rare, was mapped in the center of the property, in the region where most of the copper-nickel showings are located.

The first copper-nickel showings were found by Mr. Cecil von Klein, a hard rock miner from Manitouwadge who prospected this area a few years ago, in his spare time. These showings are referred to in the preliminary map, as, "the von Klein copper-nickel occurrences". They are located along the pyroclastic band, about 1½ miles north-west of Musher Lake. The rocks in the vicinity of the showings are acid to intermediate-flow rocks, breccias and pyroclastic rocks intruded by dacitic-feldspar-porphyry,

biotite granite, muscovite granite and talcose ultrabasic dykes. There are several sulphide showings, and, in what appears to be the two richest zones, chalcopyrite-pyrrhotite-pyrite mineralization seems to be confined to two separate, large blocks of coarse-grained amphibolite; one apparently is rafted in a rhyolite breccia plug, and the other is in rhyolite or acid-welded tuff. Mineralization in the surrounding muscovite-biotite gneisses is minor. Other showings, with copper-nickel values, occur in shear zones, in the mafic pillow lavas, and garnetiferous agglomerates on the north side of the pyroclastic band.

The initial funds for the implementation of the Company's exploration programme were provided by Armada Corporation Limited, under an underwriting and option agreement. Late last year, it was declared null and void, by mutual consent, in order to clear the way for other more advantageous arrangements described in the final paragraph.

In order to obtain a "bird's eye view" of structural conditions in the area, an airborne electromagnetic survey was carried out, which provided some shortcuts to a more concentrated ground exploration, and earned its cost in subsequent savings of time and effort.

The combined airborne geophysical survey was flown, in June of 1965, by Selco Exploration Co. Ltd., employing the Mark II Induced Pulse Transient (INPUT) electromagnetic system, simultaneously with nuclear magnetometer AM-101A, recording magnetic profile in 5 gamma steps alongside the four channel E/M output. A total of 549 line miles were flown over an area of approximately 83 square miles. The nominal spacing of flight lines was ⅛ of a mile over the claim area, whereas a ¼ mile flight line spacing was maintained over the outlying areas. Dr. W. Domzalski of London, England was retained as the consultant responsible for the planning, interpretation, and reporting, on this survey.

The position of the electromagnetic anomalies were plotted on the mosaic. Some anomalies, appeared in isolated positions. However, the majority of them were grouped in definite trends. The lateral spread of anomalies, within a trend, suggested that a concept of zones, or belts, would be the most suitable in describing the pattern formed. Thus, an assumption was made, with reasonable justification, that the anomaly trends represent belts of rocks, within which, indications of conductors are grouped. However, it must be stressed that, in this process, all anomalies are considered, irrespective of their relative size and quality. The soundness of this phase of interpretation was borne out, by comparing the picture presented in the mosaic with the information contained in the preliminary map P.334, as

far as the western portion of the survey was concerned, and the recently published map P.335 covering the eastern areas.

Several recommendations were made, by our consultant, for further development of the property. The exploration work, carried out on the ground, consisted of a balanced blend of geological spot-checking, ground geophysics and geochemical sampling in drift-covered areas. The summary of our exploration activities presented an attractive picture, and paved the way to an agreement with a senior mining company, for further development of our property.

ARRANGEMENTS FOR FURTHER DEVELOPMENT OF PULFA PROSPECT UNDER AN AGREEMENT WITH FALCONBRIDGE NICKEL MINES LIMITED:

Late last year, an understanding was reached with Armada Corporation Limited, whereby this Company agreed to terminate all outstanding options, and to withdraw Carravelle's treasury shares from primary distribution. This understanding cleared the main obstacle in the negotiations, which were recently concluded with the signing of an agreement, providing for further exploration and development of our mining property, by Falconbridge Nickel Mines Limited.

Under the terms of this agreement, Falconbridge, in consideration of the right to acquire shares in the capital of Carravelle, undertakes to expend in prospecting, exploration and development of the Company's "Pulfa" Mining Property, at least \$25,000.00 on or before the 31st of January, 1967. If, during this so-called, first "working period", ending 31st day of January, 1967, Falconbridge expends at least \$25,000.00, then the "working period" will be extended for another year to, and including, the 31st day of January, 1968. During the second working period, Falconbridge undertakes to expend on the "Pulfa Prospect", in conducting a programme of exploration, prospecting and development, the sum of at least \$50,000.00. If, by the 31st day of January, 1968, Falconbridge expends sums aggregating to at least \$75,000.00, then the working period will be extended for one further year, to, and including, the 31st day of January, 1969. During the third working period, Falconbridge undertakes to expend, on the development of the "Pulfa Property", the sum of at least \$80,000.00; so that sums, aggregating to at least \$155,000.00, will be spent between the 31st day of January, 1966 and on, or before, the 31st day of January, 1969. However, Falconbridge may, at any time during this period, expend sums of moneys, in excess of, and additional to, those required, to be expended in each "working period".

In consideration of the expenditure of the above-mentioned sums of money, in conducting a programme of exploration, prospecting and development, Falconbridge shall be entitled to receive, from time to time, a part, or all of Carravelle's 3,449,995 unissued treasury shares in the capital of Carravelle on the following basis:

- (a) one (1) fully paid and non-assessable present treasury share of Carravelle for each ten cents (10¢) so expended, in respect of the first aggregate sum of \$155,000.00; i.e. a maximum of 1,550,000 shares are reserved for issuance at the above rate.
- (b) one (1) fully paid and non-assessable present treasury share of Carravelle for each one dollar and fifty cents (\$1.50) so expended, in addition to the first aggregate sum of \$155,000.00; i.e. the balance of 1,899,995 treasury shares is reserved, and might be issued at the above price.

As soon as Falconbridge is the beneficial owner of, or entitled to, at least one million, five hundred and fifty thousand (1,550,000) present treasury shares in the capital of Carravelle, the Board of Directors will call a directors' meeting, and a majority of the directors of Carravelle will resign so that the nominees, appointed by Falconbridge, can be elected in their place.

It has also been agreed that, as long as this agreement is in full force and effect, Carravelle will not change its authorized capital; will not issue any of its treasury shares, except as contemplated in the terms of the agreement described above; will at all times maintain itself in good standing, under the laws of the Province of Ontario, and will not do anything which, in any way, might make the Company, or its property, materially less attractive to Falconbridge than at the date of the agreement.

The association of a senior mining company, well-known for its open minded and energetic approach to exploration problems, with the development of our "Pulfa Prospect", gives us a great deal of confidence that a thorough and exhaustive effort, will be made, to fully explore and develop its economic potential.

Submitted on behalf of the Directors,

C. J. MADEJ, B.Com.,
President.

CARRAVELLE MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET

December 31, 1965

ASSETS

CURRENT ASSETS

| | | |
|--------------------|--|-------------|
| Cash in bank | | \$ 9,743.71 |
|--------------------|--|-------------|

MINING CLAIMS

| | | |
|---|--|--------|
| 274 Claims located in the Dead Otter Lake Area, Thunder Bay District, Port Arthur Mining Division, Ontario, acquired for 300,000 shares of the company's capital stock formerly held in trust for the benefit of the company, \$203 cash and by staking recorded at a nominal cost of \$1 | | 204.00 |
|---|--|--------|

| | | |
|-------------------------------------|-----------|--------|
| Office Furniture — at cost | \$ 470.53 | |
| Less accumulated depreciation | 255.05 | 215.48 |
| | | <hr/> |

DEFERRED EXPENDITURE

| | | |
|----------------------|-----------|--------------------|
| Exploration | 29,771.52 | |
| Administration | 3,628.38 | 33,399.90 |
| | | <hr/> |
| | | <u>\$43,563.09</u> |

LIABILITIES

CURRENT LIABILITIES

| | | |
|--|--|-------------|
| Accounts payable and accrued liabilities | | \$ 7,102.63 |
|--|--|-------------|

SHAREHOLDERS' EQUITY

Capital stock

Authorized — 5,000,000 shares of \$1 each

Issued

| | | |
|--|--------------|--------------|
| 900,000 Shares for mining claims | \$900,000.00 | |
| Less discount | 810,000.00 | \$ 90,000.00 |
| | <hr/> | |

| | | |
|-------------------------------|------------|-----------|
| 650,005 Shares for cash | 650,005.00 | |
| Less discount | 580,875.00 | 69,130.00 |
| | <hr/> | |

| | | |
|------------------------|--|------------|
| 1,550,005 Shares | | 159,130.00 |
|------------------------|--|------------|

| | | |
|---------------|------------|--------------------|
| Deficit | 122,669.54 | 36,460.46 |
| | <hr/> | <hr/> |
| | | <u>\$43,563.09</u> |

Approved on behalf of the Board:

C. J. MADEJ, Director.

J. WILSON, Director.

The accompanying notes form an integral part of the above balance sheet.

CARRAVELLE MINES LIMITED

STATEMENT OF DEFICIT

For the period from July 1, 1961 to December 31, 1965

| | | |
|--|-------------|---------------------|
| Balance at July 1, 1961 | | \$ 79,170.43 |
| Acquisition costs of mining claims abandoned | \$25,000.00 | |
| Exploration expenditure on mining claims abandoned | 9,475.55 | |
| Administration expenditure written off | 6,186.67 | |
| Organization expenditure written off | 3,370.83 | 44,033.05 |
| | | <hr/> |
| | | 123,203.48 |
| Deduct interest earned (net) | | 533.94 |
| | | <hr/> |
| Balance at December 31, 1965 | | <u>\$122,669.54</u> |

NOTES TO BALANCE SHEET

December 31, 1965

1. During the period from July 1, 1961 to December 31, 1965, the company issued 335,000 shares of its capital stock for \$34,750 cash.
2. Subsequent to the date of the balance sheet, the company entered into an agreement with Falconbridge Nickel Mines Limited whereby Falconbridge has undertaken to expend in prospecting, exploration and development on the company's mining claims at least the sum of \$25,000 before January 31, 1967 and may, at its option, extend the working periods up to and including January 31, 1969, provided a further sum of \$130,000 is expended on the said mining claims.

In consideration of the sums to be expended by Falconbridge on the company's mining claims, the company has agreed to issue fully paid and non-assessable shares at the rate of one share for each 10¢ so expended to the extent of \$155,000 and to issue one share for each additional \$1.50 so expended in excess of \$155,000. If Falconbridge expends on the company's mining claims amounts aggregating not less than \$155,000, then Falconbridge will have the option to purchase at \$1.50 per share on or before January 31, 1974, all or any part of the unissued shares of the capital stock of the company.

The company has agreed that it will not issue any of its treasury shares except as contemplated by the above referred to agreement as long as the agreement is in effect.

CARRAVELLE MINES LIMITED

STATEMENT OF DEFERRED EXPLORATION EXPENDITURE

| | Balance at June 30/61 | July 1/61 to Dec. 31/65 | Total |
|---|-----------------------------|-------------------------------|--------------------|
| NORWAY LAKE AREA, ONTARIO | | | |
| Geophysical survey | \$2,604.00 | | \$ 2,604.00 |
| Engineer's and geologist's fees and expense | 2,466.66 | | 2,466.66 |
| Mining licenses and fees | 481.00 | | 481.00 |
| Maps and blueprints | 32.00 | | 32.00 |
| Freight and transport | | \$ 126.68 | 126.68 |
| Insurance | | 24.56 | 24.56 |
| Prospecting | | 12.99 | 12.99 |
| Repairs and maintenance | | 344.45 | 344.45 |
| Travelling | | 112.43 | 112.43 |
| | <u>5,583.66</u> | <u>621.11</u> | <u>6,204.77</u> |
| GENERAL PROSPECTING | | | |
| Freight and transport | | 28.57 | 28.57 |
| Prospecting | | 129.41 | 129.41 |
| Mining licenses and fees | | 4.50 | 4.50 |
| Repairs and maintenance | | 638.46 | 638.46 |
| Miscellaneous expense | | 23.93 | 23.93 |
| Travelling | | 370.75 | 370.75 |
| Depreciation — automotive equipment | | 2,075.16 | 2,075.16 |
| | | <u>3,270.78</u> | <u>3,270.78</u> |
| DEAD OTTER LAKE AREA, ONTARIO | | | |
| Geophysicist's fees | | 1,050.00 | 1,050.00 |
| Engineers' and geologists' fees | | 4,550.00 | 4,550.00 |
| Geophysical work and surveys | | 12,537.71 | 12,537.71 |
| Geological work | | 747.64 | 747.64 |
| Line cutting | | 3,488.99 | 3,488.99 |
| Staking | | 2,019.00 | 2,019.00 |
| Prospecting | | 305.58 | 305.58 |
| Mining licenses and fees | | 1,753.50 | 1,753.50 |
| Maps and blueprints | | 279.77 | 279.77 |
| Freight and transport | | 909.85 | 909.85 |
| Telephone and telegraph | | 291.94 | 291.94 |
| Travelling | | 1,620.00 | 1,620.00 |
| Miscellaneous | | 217.54 | 217.54 |
| | | <u>29,771.52</u> | <u>29,771.52</u> |
| | 5,583.66 | 33,663.41 | 39,247.07 |
| Deduct exploration expenditure written off to deficit upon abandonment of claims | 5,583.66 | 3,891.89 | 9,475.55 |
| Balance at December 31, 1965 | <u>Nil</u> | <u>\$29,771.52</u> | <u>\$29,771.52</u> |

CARRAVELLE MINES LIMITED

STATEMENT OF DEFERRED ADMINISTRATION EXPENDITURE

| | Balance at June 30/61 | July 1/61 to Dec. 31/65 | Total |
|--|-----------------------------|-------------------------------|--------------------|
| Directors' fees | \$ 250.00 | \$ 725.00 | \$ 975.00 |
| Rent | | 734.50 | 734.50 |
| Legal and audit fees | 175.00 | 1,475.00 | 1,650.00 |
| Transfer agency fees | 327.25 | 406.15 | 733.40 |
| Shareholders reports | 684.57 | 610.78 | 1,295.35 |
| Share certificate expense | 122.10 | | 122.10 |
| Telephone and telegraph | 210.37 | 171.97 | 382.34 |
| Miscellaneous expense | 1,399.22 | 2,005.10 | 3,404.32 |
| Depreciation — office furniture | | 518.04 | 518.04 |
| | <u>3,168.51</u> | <u>6,646.54</u> | <u>9,815.05</u> |
| Deduct amount written off to deficit | 3,168.51 | 3,018.16 | 6,186.67 |
| Balance at December 31, 1965 | <u>Nil</u> | <u>\$ 3,628.38</u> | <u>\$ 3,628.38</u> |

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
CARRAVELLE MINES LIMITED,

I have examined the balance sheet of Carravelle Mines Limited as at December 31, 1965 and the statements of deficit, deferred exploration expenditure and deferred administration expenditure for the period from July 1, 1961 to December 31, 1965. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion the accompanying balance sheet and statements of deficit, deferred exploration expenditure and deferred administration expenditure present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the period from July 1, 1961 to December 31, 1965, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

January 18th, 1966.

R. WILSON LINTON,
Chartered Accountant.

CARRAVELLE MINES LIMITED

PULFA PROSPECT SIMPLIFIED GEOLOGY

